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Each number contains a **special discussion** of some Sound Currency question.

But the advocates of silver coinage insist that with 371½ grains of silver admitted in unlimited quantities to the mints for free coinage, free of charge, the bullion value of this number of grains would necessarily be equal, before coinage, to the coined dollar. This is true, and it would be equally true of 100 grains, or of 1 grain, if admitted free and in unlimited quantities to coinage; indeed, if chips were admitted free and in unlimited quantities to the privilege of being stamped into dollars, the chips before they were stamped, would be worth as much as the dollars after they were stamped, but, unfortunately, the dollars would be worth no more than chips.—HOKE SMITH.

The first remedy is the reduction of our silver to the position of a subsidiary and non-legal-tender currency; the second, the abrogation of Federal legal tender paper; the third, the emancipation of our bank circulation from its present burthens and restraints; the fourth, such an enlargement of the legitimate scope of banking operations as will extend the aid of bank credits to large masses of population from whom the law now withholds such facilities.—W. DODSWORTH.

CURRENCY REFORM.

ADDRESSES AT REFORM CLUB SOUND CURRENCY DINNER, MAY 16, 1896.

By HOKE SMITH AND W. DODSWORTH.

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INTRODUCTION.

At the dinner of the Sound Currency Committee of the Reform Club, at the Club House, May 16, 1896, Mr. John P. Townsend, President of the Bowery Savings Bank, presided.

In his opening remarks he called attention to the fact that the money of commerce must be the best money; that we love good money because we know that our friends in the South and West will sell us cotton, tobacco, rice, produce, silver, lead, and petrolum on better terms if we offer to pay in the best money.

We are constantly menaced, however, by the fear that our currency may be changed from a gold to a silver basis. To force fifty-one cents worth of silver on a creditor in payment for a debt of one hundred cents is a plan to put up the price of a commodity for the benefit of a few; but this advance would not be based on bona fide earnings. Prices, of course, would ultimately go up to meet the increased amount of currency and the equilibrium might be restored in that way without benefit to the masses and only after great loss to the holders of previously existing contracts who hold promises to pay dollars. These holders of promises belong to the creditor class; and who compose the creditor class in the country? Who are the creditors and who are the debtors? This question does not seem to have been fairly answered by those who favor free coinage, and it has been argued that the debtor class are the poorer people in the country, who will be benefited if our currency is increased in that way.

Let us first inquire what class of people are creditors and how they will be affected, and afterwards, who are debtors and its effect on them?

Savings-bank depositors form a considerable part of the first mentioned. There is owing to them by the savings-banks in the Eastern, Middle and some of the Western States, say \$1,600,000,000; an enormous sum. The number of these creditors is four millions, three hundred thousand, and the average due each depositor is \$36.39, not a great sum for each to be sure, but in most cases it is their all, saved little by little as they could spare it from hard-earned wages or salaries, and which they had put by for a rainy day to help support them in case of sickness, accident or old age. You may fancy the hardships that would result to each, if, when he has his money returned to him he finds it but half as valuable in purchasing power as when he deposited it. Their feeling of confidence in their banks, in their soundness and security would be shaken, and the lessons which had been taught them of prudence and thrift would be destroyed to such an extent that when they saw the standard of money depreciating in value, they would go to the banks to withdraw their whole deposits fearing that the decline might speedily become so great that the money they would receive might become even less valuable. We well know the effects of a run on savings-banks and with what haste the money drawn would be squandered or hid away. What a carnival dishonest men would enjoy in lying traps for the unwary to induce them to put their money in schemes they could not recommend.

Savings-banks, by law, invest their funds in securities of the first class, which necessarily pay a limited rate of interest, say three and one-half to four per cent. and the promise of a higher rate on other investments which would be offered in a time of currency inflation would induce the prudent savings-bank investors to take the chances, with the undoubted ultimate result of a total loss of their principal sum.

Other creditors are those living on fixed salaries and incomes; as a rule, clerks, widows, orphans, clergymen, and most professional men, beneficiaries of life insurance policies and annuities, which aggregate an enormous number; the ordinary working man and mechanic who pays his landlord for rent often in advance and the supplier of his household necessitates as often as wages are received, say once

a week, who has no credit beyond this, cannot fairly be ranked in the debtor class.

All of these people, the creditors of the country, the plain people, are undoubtedly a majority of our whole population of seventy-one millions. On the other hand, it has been often said that the debtor class would be benefited by the free coinage of silver and inflation of the currency. This would undoubtedly be true; but is it proper, is it right, that contracts should be violated, that a person who has borrowed dollars worth a hundred cents should by act of Congress be allowed to pay in dollars worth half as much? Would it not be a gross act of injustice to enact such legislation? No such plan was ever attempted by any portion of the people of this country until it entered the minds of the owners of the silver-producing sections that they should be protected by the government in their efforts to make money out of the people; and the number of this class is very small in comparison to the whole number. The great debtor class then are the more wealthy; the merchant who borrows money to increase his business, who has property of some kind which gives him credit, who agrees to pay a certain per cent. for the use of money in order that he may make a greater per cent. by the use of it; the great railroads and other rich corporations who have borrowed money to increase or enlarge their plant and get gain the men of Wall street who have bought stocks or bonds by paying down ten or twenty per cent. of their cost and borrowing eighty or ninety per cent. expecting to make a profit.

But these people do not ask for legislation to enable them to pay their just debts with an inferior currency. They have never been among those who favored its debasement. They know that to enable them to maintain their credit and go on borrowing, they must repay in money of the same value as that which they borrowed.

THE STANDARD OF VALUE.

Address of Hon. Hoke Smith, Secretary of Interior.

Mr Chairman and Gentlemen of the Reform Club:—

It is with no little embarrassment that I speak on the subject of money before this gathering of men so familiar with finance and commerce. My hesitation is only lessened because it is a question which reaches from the poorest paid laborer to the richest banker, and that legislation which will injure the one will injure the other also.

OUR GOLD-DOLLAR STANDARD.

The people of this country make their contracts payable in dollars. They do business in dollars. Uncertainty as to the meaning of the word dollar must create doubt as to the effect of contracts, and general distrust in business.

The dollar of the United States at present has a distinct meaning. It is equivalent to 23.22 grains of pure gold. Paper dollars are mere promises to pay in coin. Silver dollars, while they contain bullion worth only about 50 cents each, have been surrounded by safeguards of legislation limiting the number coined and supporting them by the credit of the Government, so that they have been kept on a parity with gold dollars. Twenty-three and twenty-two-one-hundredths grains of gold, therefore, measure the value of what is meant by a dollar, when the term is used for trade here, and this has been true for about fifty years, with the exception of the period during which paper dollars were depreciated.

Upon the floor of the House of Representatives in 1853, when the bill was pending which made fractional currency subsidiary, Cyrus L. Dunham of Indiana, who had charge of the bill, said:

"An objection urged against this proposed change is that it gives us a gold standard only. * * * Gentlemen talk about a double standard of gold and silver as a thing that exists, and that we propose to change. We have had but a single standard for the last three or four years; this has been and is now gold; we propose to let it remain so and adapt silver to and regulate it by gold."

After this long experience in the use of dollars based upon 23.22 grains of gold, the advocates of silver demand its free, unlimited, and independent coinage at the present ratio.

This is really a proposition to remove from silver dollars the safeguards of legislation which surround them, to withdraw the limit, and to take from them the support of the Government. It is an effort to reach a bimetallic currency by the free and unlimited coinage of two metals, at a fixed ratio which places one hundred cents' worth of bullion in the gold dollar and fifty cents' worth of bullion in the silver dollar.

GRESHAM'S LAW.

The experience of every country which has attempted the free and unlimited coinage of two metals, at a ratio disregarding the commercial value of the bullion of each metal put into a dollar, has been the coinage and use of the cheaper metal and the loss as money of the more valuable metal. The principle is thus expressed by Sir Isaac Gresham:

"If debased coin is attempted to be circulated with full-valued coin, all of the latter will disappear from circulation, and the overvalued and debased coin will alone remain, to the ruin of our commerce and business."

This indisputable doctrine was taught in the fourteenth century by Nicholas Oresme, and again in the sixteenth century by Nicholas Copernicuss. Coming down to 1717, Sir Isaac Newton, at that time Director of the Mint of England declared:

"If silver leaves the shores of England in crowns, or in ingots, (the produce of coins melted) and gives place to gold, it is because the value which the monetary legislation assigns to it, in relation to gold, is not correct."

Apply the lesson practically to our own money. With free and unlimited coinage of gold and silver at the ratio of 16 to 1, silver monometallism would result, and the measure of the value of our dollar would be 371¼ grains of silver—worth about 13 grains of gold.

DOLLARS AND CHIPS.

But the advocates of silver coinage insist that with 371¼ grains of silver admitted in unlimited quantities to the mints for free coinage, free of charge, the bullion value of this number of grains would necessarily be equal, before coinage, to the coined dollar. This is true, and it would be equally true of 100 grains, or of 1 grain, if admitted free and in unlimited quantities to coinage; indeed, if chips were admitted free and in unlimited quantities to the privilege of being stamped into dollars, the chips before they were stamped, would be worth as much as the dollars after they were stamped, but, unfortunately, the dollars would be worth no more than chips.

GOVERNMENTS POWERLESS TO AFFECT COMMERCIAL VALUATIONS.

Another favorite argument of the free silver advocates refers to the experience of France, and they have claimed all over the country that France, from 1833 to 1874, by fixing a legal ratio for the coinage of silver and gold, (at 15½ to 1) kept the commercial ratio between the two metals at the same figures. This inaccurate statement has been one of their principal arguments. If they will really examine the history of France they will find that before 1820 the difference between the commercial value of gold and silver exceeded

15½ to 1, and France became silver monometallic. Later on, between 1840 and 1850, the commercial difference was less than 15½ to 1, and France became gold monometallic.

From 1792 to 1860 the subject of coinage of gold and silver was frequently discussed by American statesmen, and no suggestion can be found, from any of them, that the Government could overcome even a small difference in the commercial value of metals by free and unlimited coinage at a fixed ratio.

This country failed to add 3 per cent. to the value of silver and make it equal to a ratio of 15 to 1 with gold prior to 1834, and it failed to add 6 per cent. to gold and make it equal to a ratio of 1 to 16 with silver subsequent to 1840.

No limit can be placed upon the mass of silver still unmined. Government authority indicates that the present annual volume can be produced for about 60 cents an ounce. It is impossible to place and maintain a price upon such a commodity which would give it a profit entirely disproportioned to that earned by the average enterprise.

Yet the advocates of free coinage of silver now propose to undertake the experiment at a local ratio of 16 to 1, although the commercial ratio is 31 to 1.

SHOULD OUR DOLLAR MEAN LESS?

We are, therefore, confronted with a proposition to change the meaning of the dollar from 23.22 grains of gold to 371¼ grains of silver. As 371¼ grains of silver are worth only about 15 grains of gold, it is practically a proposition, at a single blow, to reduce the value of a dollar one-half.

It is a movement more radical than one to reduce openly the bullion in a gold dollar to thirteen grains. This would be a step dangerous, but definite. No one knows what 371¼ grains of silver would be worth under free and unlimited coinage. It is impossible to say whether the increased demand for silver would carry 371¼ grains of silver somewhat above 13 grains of gold, or whether this increased demand would shortly produce a disproportioned increased supply, and carry the value of 371¼ grains of silver somewhat below 13 grains of gold.

I am aware that the advocates of free coinage of silver object to estimating the value of silver in gold, but all international trade is measured by grains of gold. No matter what system we adopt, unless our international commerce is abandoned, our dollars will be actually measured by gold, even though we fix them upon a silver standard.

The movement for free and unlimited coinage of silver is, therefore, an effort not only to reduce the value of a dollar about one-half, but to leave it in a state of uncertainty.

It threatens a complete change in the meaning of the term dollar to some meaning in the neighborhood of one-half its present meaning. It threatens an entire change of the value of the term by which contracts and credits are estimated, and by which business is conducted.

SHATTERED CONFIDENCE.

In every country where progress and prosperity are found, the great bulk of business must depend upon credits. The credits are estimated in dollars, and whatever creates a doubt as to the meaning of a dollar must tend to suppress business. The mere threat involves uncertainty, and this uncertainty must be removed to bring back to business normal prosperity.

To appreciate the importance of removing doubt upon this subject, contemplate briefly the process of reaching the proposed silver standard. We saw, in 1893, a paralysis of business, in large part produced by the threat of a silver standard.

If President and Congress were elected in November committed to the free and unlimited coinage of 371¼ grains of silver into dollars, nearly six months would pass before they could be inaugurated, and six months more before the proposed legislation could become law. During that time creditors would seek to protect themselves against being paid in dollars worth only about .23 grains of gold, and they would endeavor to make collections before the unlimited coinage of depreciated dollars began. The debtors would not be allowed to remain debtors until they could get the advantage of paying off what they owned at 50 cents on the dollar; they would be forced to immediate settlements. Sheriffs and constables would call upon them without delay. Depositors in banks would withdraw their money. The large merchants, forced to settle their foreign indebtedness, would insist upon immediate payment of debts due from smaller merchants. The smaller merchant, in turn, would be compelled to force collections from their customers. The great volume of business conducted upon credits would cease.

Manufacturing enterprises could not afford to continue business or make contracts until the value of the new dollar could be settled by the determination of just what 371¼ grains of silver would prove to be worth. Factories would close. Business houses would fail. Banks would be raided. The unemployed would be numbered by millions. The farmers would find few purchasers for their products. Want and famine would pervade the land.

At the end of a few years, when business settled down to the new meaning of a dollar, fluctuations in the commercial price of silver would still keep our dollars of uncertain value and hinder domestic trade.

Our foreign commerce would be hampered, and, in the language of an advocate of bi-metallism: "We should have left Europe in order to have joined Mexico, Central America, Japan, and China. * * * High protectionists might desire such a result, for the wall which the change would erect between Europe and America would be more impassable than any that a McKinley tariff could create."

The silver standard and high tariff are logical allies, and so, also, are low tariff and the gold standard.

ALL INTERESTS DEMAND CERTAINTY.

Business interests, reaching from the richest banker to the poorest paid laborer, require the removal of all doubt about the meaning of a dollar. No man should be trusted even with an important nomination who does not recognize that the value of a dollar is now measured by 23.22 grains of gold, and who is not willing to openly declare his purpose to help keep it there.

With this proposition established, it will be easy to perfect a system under which the Government can be relieved of the burden of re-issuing notes to be used as currency, and banks organized upon a uniform plan can be accorded the privilege of issuing notes for circulation. Silver can be given its legitimate place, and might be accorded exclusive position below \$10. But whatever is done should be with the full knowledge of the ruin which must follow a successful effort to reduce the value of each dollar one-half, and to change the meaning the word has already expressed in the varied transactions where it has been used.

THE TRUE ATTITUDE OF CURRENCY REFORM.

Address of Mr. W. Dodsworth.

Mr. Chairman and Gentlemen:—

It affords me great pleasure to be present at this gathering of the Reform Club, if for no other reason than that I am afforded an opportunity for saying how unreservedly I appreciate the value of its services in the cause of Currency Reform. Above all other educatory efforts connected with the money question, yours must be conceded the credit of being first on the field, first in methods, first in energy, and first in success.

Will you permit me to say, Sir, that your methods of propagandism have appeared to me singularly wise. I have admired the statesmanly prudence shown in your non-partisan attitude and in your respect towards existing opinion. You have not acted with the reformer's too common assumption, that "all men are fools"—yourselves excepted. You have not dogmatized, but reasoned. You have not so much proclaimed your own sentiments as invited the opinions of men given to prudent policies. Your tentative work has wisely been that of prospecting. Your standard has borne the simple motto "Sound Money;" and you have left it to citizens of acknowledged sober judgment to say more precisely what that pregnant shibboleth means. Thus you have made yourselves simply a mirror for reflecting the views of conservative thinkers upon this supreme question. And therein, Sir, you have shown your practical wisdom and have won your way to public confidence.

THE GOLD STANDARD AN ESSENTIAL BASIS.

But to all rules there are exceptions; and you needed to have yours. On one point of public policy you have made a bold and uncompromising affirmation; that, in the United States, gold shall be the supreme standard of value; and that silver shall never be invested with such prerogatives, or circulated in such volume, as could possibly impair the dominant status of the nobler metal. To this you have openly sworn; for this you have done noble battle; and all hail, Sir, to your standard!

This monetary disease is composite; and its treatment must, therefore, be correspondingly diversified. The first remedy to be applied to it is the reduction of silver to the position of a subsidiary and non-legal-tender currency; the second, the abrogation of Federal legal tender paper; the third, the emancipation of our bank circulation from its present burthens and restraints; the fourth, such an enlargement of the legitimate scope of banking operations as will extend the aid of bank credits to large masses of population from whom the law now withholds such facilities. I class the last mentioned of these requirements among the objects of currency reform, because a bank credit is really in the nature of a currency instrument; and because the extent to which those credits may be properly utilized is too little appreciated in the discussion of this many-sided question.

THE EXTENSION OF BANK CREDIT FACILITIES.

This, Sir, I conceive to be the real scope of any purpose of reform that aims to give the United States a sound and adequate system of currency.

In proportion as we realize the magnitude of this undertaking we shall appreciate the necessity for prudence and patience in its successive steps. I say patience, because we may not flatter ourselves that the supplanting of prejudices by intelligent convictions will cost anything short of a prolonged agitation. I say prudence, because success must greatly depend upon the method and the spirit in which this campaign is conducted.

It is of the first importance to our winning over the pro-silver element, of the West and the South that we should understand and sympathize with the bot-

tom facts of their case. For they have a case; and, to them, a profoundly serious one. For, what, I would ask, has been the experience of the farmers and planters of these vast sections for the last ten or twelve years? The opening of new pastures and wheat lands in Argentina, in Australia, in Algeria, in Africa, and in India has so increased the world's supply of food products as to ruinously affect the profits of the Western farmer. He has no longer a ready resort to rich virgin lands, for they have been well nigh exhausted. He has no means for increasing his crops by the use of fertilizers. He cannot avail himself of labor nor of labor-saving appliances as formerly; and, while his crops are declining, his resources for paying his inevitable mortgage is diminishing. His condition is steadily verging toward a pitiable poverty. In the South the inability of the planter to vary his crops has at last led to an apparently permanent overproduction of cotton; which has forced the selling price down to the extent of raising the staple that the banker and factor swallow up well nigh all the profit on this great national crop, and the planter, therefore, can make no progress. The storekeepers dependent upon the farmers and planters are suffering in common with their customers; and the result is a process of grave impoverishment among classes upon whom the trade of the country has been almost as directly dependent as it is upon all other industries combined.

A condition of things like this appeals as directly to our fraternal sympathy as it does to our commercial interest. It presents a situation and a problem demanding the most earnest consideration of our wisest statesmanship. The depressed condition of this great mass of population is aggravated by the fact, that while they have the full power of the citizen to protect their interests through their votes, yet they lack the special knowledge necessary to guide them to safe conclusions upon this particular question. Is it surprising then that if, from these tens of millions of ill-fated tillers of the soil, there comes a cry of eager acceptance when the sop of silver money is offered them without stint? Is it a matter of wonder if this imperfectly educated class fail to see that myriads of silver circulation could bring them no benefits so long as they lacked the commodities through which it could alone be procured? What is to be done with this thirty millions of people, most of whom are incapable of appreciating your sound money arguments, and whose economic ignorance makes them an easy prey to the glided promises of the silver kings? This question is the more important because, after all, it looks very much as if these men are to be the final arbiters of this great money question. And, if that be so, the first mission of monetary reform still lies in dealing especially with the agricultural voters. The industrial and mercantile classes, in nearly all sections, you have won; the farmers and planters still remain ignorant of the cause of their troubles and ready to seek redress in any illusion. So far as respects the "Silver Question," you have gained your victory in the Middle and Eastern States. But beyond the Potomac, lies a vast area of still unconquered territory. So far as respects the paper money issue, much difficult campaigning has yet to be done; and such is the peculiar complexity of this struggle that the policy on which you may alone hope to win the West and South may too easily be hotly contested in the Middle and Eastern States. In other words, it may easily prove as necessary to array the agricultural vote against certain Eastern prejudices relating to paper money, as it has been and now is to array the Eastern vote against the agricultural vote in respect to silver.

For my own part, I confess to little hope of any great change in the pro-silver sentiment of the West and South, unless something be tendered to those sections that will not only be a true specific for their many misfortunes,

but will also command their preference in lieu of a debased silver money. In the present stage of the controversy, therefore, the chief strategic question is—what have we to offer for their acceptance? In my individual judgment, much; always provided, however, that we can rid ourselves of some prestidigitated prejudices, some vain theoretic preoccupations, and some antique attachments.

THE ATTITUDE OF THE EAST.

One of the first things needed on the part of the East, is a proper mental attitude towards this whole question. We need to realize that our present financial machinery, our currency, and banking systems—in spite of many real excellencies—are honeycombed with defect and decay; and that our National banking legislation and the circulation issued under it were originally adapted to meet the merely temporary exigencies of an exhaustive war, and imperatively need to be reconstructed upon a normal peace basis. There must be an unqualified willingness to amend whatever the last thirty years of experience has shown to have worked commercial mischief, or restricted credit operations, or failed to equally satisfy the financial wants of all sections and classes. Without this broad attitude of candor, reform will be simply a series of compromises, affording little relief and leaving the great question unsolved.

THE ISSUE MORE OF CREDIT THAN CASH.

The sooner the better, we realize that this problem is quite as much one of banking as it is one of currency; that, in fact, in its final disposition, it is likely to become almost entirely a reconstruction of banking mechanisms. This whole issue is far more than a matter of cash. Our credit system rests upon our banking system; and our banking system is one of the most restricted in the world, so far as respects its adaptation for satisfying the diversified credit wants of the manifold forms of business. The National and State banks perhaps fully satisfy the wants of mercantile borrowers down to the medium class of retailers. They amply aid the large producers; and so far all is well; but is it a small question to ask—who helps the smaller class of producers, the farmer, the planter, the herdsman of the prairie? Such an organization of credit has not been even dreamed of; and yet what sufficient reason is there why the agricultural producer should be denied the credit help that is so freely extended to all other industrialists? Time was when the farmer little needed such help; for the profits on his crop sufficed to carry him through from season to season, and furnished him all the elements of production. He was happily independent of borrowing and of lenders. Now that his profits are gone, he as much needs credit for the raising of his crops as the manufacturer needs it for buying his raw material and for paying his wages; and it is largely because he has no means of getting that credit that the farmer is now poor, discontented, and hostile to all banks and all lenders, and seeks a deceptive relief in the unrestricted coinage of a debased metal.

THE IMPORTANCE OF ADEQUATE CREDIT TO AGRICULTURAL INTERESTS.

Quite probably, you think I am suggesting a somewhat petty species of banking; and, measured by the sum of the individual account, that doubtless is so. Estimated from the individual standpoint, the farmer is always counted a small social item. Taken in his numerical aggregate though, he is the most important factor in our commerce; the chief contributor to our wealth; and it is a matter of wonderful importance to him and to the nation at large whether he has or has not the facilities for borrowing a few hundred dollars to improve the cultivation of his crops, to carry them for opportune seasons for selling, to procure manures, to hire help, and to make the waste places

of his firm productive. It is becoming a matter of very life and death whether the American farmer and planter shall be afforded these aids. Other countries have not been slow to appreciate the importance of placing the agricultural class within easy reach of needful credit facilities. On the continent of Europe, the depressed condition of the farmer has stimulated the creation of banks of this character; and the results of those enterprises have been as profitable to the lenders as they have been helpful to the borrowers. From official data, I find that, in 1894, Italian agricultural banks had out-standing loans of this nature to the amount of 250 millions of lire; Austria-Hungarian mortgage banks had loans amounting to 215 millions of florins; German like institutions held mortgages to the sum of 3,208 millions of marks; twenty-one mortgage banks in Holland had land mortgages outstanding to the amount of 1,192,447,000 florins; while Russia's mortgage banks had current loans to the amount of 986 millions of roubles; a portion of these latter advances, however, were made to the land-holding nobility. Reducing all these valuations to gold, they represent advances to the agricultural classes in these five countries aggregating 1,970 millions of dollars.

A FEASIBLE REMEDY FOR DISCONTENT.

I, therefore, suggest nothing chimerical or untried; but a creation of agricultural credit which has been already tested upon a stupendous scale and with most beneficial results. Why, with nearly one-half our population dependent directly upon the land, such institutions should not prove as successful here as they have in Europe, I am unable to conceive. May I ask, Gentlemen, what would be the effect upon the farmers of the West and the planters of the South, were Congress to authorize the creation of a specifically regulated system of Agricultural banks, or loan associations? Is it not worth considering what might be the fate of free coinage in such event? I venture to say that it would prove to be a large remedy for the wide-spread depression and the equally common social and political discontent now prevailing among the farming and planting classes. So far, Congress has confined its attention to partial causes in dealing with this question. It will never give us a wise settlement until it affords some real alleviations of the existing lack of credit facilities; which means that all classes should be enabled to borrow according to their proper ability. This, together with making every American dollar worth its face in gold, would accomplish all that could be legitimately expected from legislation towards remedying our present financial derangements. The wants are sound money, and the means of getting it for reproductive use. The one is as indispensable as the other.

THE UNSOUNDNESS OF OUR GREENBACKS.

In the discussion of this question, Gentlemen, we encounter some very strange incongruities of economic attitude. Men of affairs at the East are properly unrestrained in their denunciation of the folly and the ignorance of other States in demanding a depreciated silver currency; and yet not a few of these worthy protestants refuse to surrender a paper currency no better in principle than the justly derided fifty cent dollar. They will not tolerate an unsound metallic currency; but they insist upon retaining a radically unsound paper currency—the greenback and the Sherman note; and yet, maintaining these contradictory attitudes, they plume themselves of their virtue as zealous Eastern champions of "sound money." I don't know, Sir, what you may think of this theft of your livery; but I venture to doubt whether you have found this stripe of reformers of much help to your cause. As none of them are like, to be your guests this evening, I hope you may allow me the liberty of saying; that, next to the silverites, they are the most dangerous enemies of

the sound currency cause, and have no right to be counted in its ranks. They have no claim to the honorable opprobrium of being "gold-bugs;" for they insist upon the perpetuation of a form of paper which is a constant menace to the Treasury gold, to the quality and stability of the bank reserves, and to the maintenance of gold payments, and, therefore, directly invite the introduction of the silver basis. The greenback-bug is the most insidious pest of these trying times. He insists upon compelling the Government to borrow 100 millions a year to save its notes from protest. He will have no interference with the distrust that is causing foreign holders of our securities to send them home in exchange for our gold. He insists upon the acceptance of the notes being kept perpetually compulsory. By retaining this legal tender quality, he would expose every form of investment not expressly payable in gold to being sooner or later liquidated in depreciated paper. He thus saps the very foundations of all credit, and invites dangers certainly no less serious than those which would attend the free coinage of silver.

There is no hope for any reconstruction of our currency worth the trouble of getting it, unless its first step be the extinction of the legal tender notes. So long as they remain a lawful money of redemption, there can be no fixed safety in bank paper made redeemable in them. The vitiation of the major currency must necessarily carry the vitiation of the minor. Within the last three years, the greenback has suffered a deterioration of credit from which it can never recover. At home and abroad, it has been discovered how easily it may become an instrument for draining off our stock of gold and transferring it to the retentive custody of the European banks. By demonstrating how easily the notes may be used for the most dangerous ends, a direct blow is struck at the credit of the Government, and, therefore, at these obligations. At last, a point has been reached in the checkered history of this currency at which it hopelessly discredits itself by the exposure of its inherent lack of protection. It has become an explosive force as against gold; and, as such, it is destructive of the only resource for its own redemption. It is predestined to its own hari-kari. We have long been boastfully assured that the notes were safe because the Government, with its vast resources, stood behind them. The world now discovers that this paper insidiously saps and exhausts the funds through which alone the Treasury can protect it; and thus the whole theory of State guaranty is exploded. Thus, the greenback has lost its character; and it can never recover it. The great mass of public and private credit built upon it stands imperilled, and the vast interests thus threatened can never regain confidence until gold takes the place of these discredited promises to pay. Thanks to the past high credit of our Government, the greenback has had a relatively long life, but the time is high at hand when it must go the way of every other form of State paper that Government exigencies have ever brought into existence.

I shall not test your patience, Sir, with any consideration of the large question as to what form of currency should take the place of the legal tenders when withdrawn. Public opinion and expert opinion agree very unanimously that the substitute should be the bank note. But there are wide differences of view as to the attributes and regulations of this currency of the future, which foreshadow a protracted public discussion.

THE OUTLOOK.

Permit me, however, a few words as to the outlook. For one, I have no doubt that sooner or later we shall have a currency system sound as to all its constituent elements, and better adapted to our diversified wants than any of the preceding monetary arrangements of which we have had so little reason

to be proud. Nor have I any misgivings that, after a process of public enlightenment, we shall attain to a readjustment of our banking methods which will extend sound facilities of credit to large and credit-worthy classes which are now seriously suffering from the lack of such accommodation. But I could wish it were possible to feel more assured that these advantages will arrive in time to dispel the misgivings which are now depressing business, holding in restraint all the larger movements of capital and sapping foreign confidence in our investments.

The probability is that there will be little deliberate delay, on the part of Congress, in dealing with this question. Perhaps the danger rather is that it may prove in too great haste to dispose of it. Accepting the present widely acknowledged probabilities as to the party constitution of the next Congress, conditions may arise by no means favorable to a broad and free treatment of this problem. The party in power will be called upon by the preponderant public sentiment to modify or undo much of its own past legislation. If any broad measure is to be adopted, sufficient to satisfy the country and prove a finality, the legal tenders will have to be abolished; the national banking laws must be broadly modified; the laws relating to National bank currency will need to be reconstructed; the issue rights of the State banks will demand some just recognition; the form of guaranty against bank notes must be so modified as to admit of greater elasticity in the circulation; and the authorization of banks of issue with a capital much below the present legal minimum will have to be granted. These are among the things Congress must concede, if it is to remedy the evil conditions of the times. Yet it is not to be overlooked that each one of these concessions would be a departure from the acts and the principles to which the party has stood inflexibly committed for the last generation.

Under these conditions, what may the new Congress and the new Administration be expected to do? Such a situation will present the most crucial test of the morale of American statesmanship that has ever occurred in the history of our legislation. Two alternatives are possible. One, an open acknowledgment that our present financial arrangements originated in necessities which compelled a disregard of accepted sound principles of finance, with an admission that the time has now come when all abnormal factors in our currency and banking systems must be eliminated. A second course would be to still cling to the past and adopt a minimum of surface reshaping. The former policy might elicit some temporary protest from a few belated but influential patriots; but it would immeasurably exalt the statesmanly reputation of the party and strengthen its public support. The policy of vanishing the worn-out past could only bring the penalties of utter failure. But I forbear from forecastings. May I conclude, therefore, that the one thing in the situation that concerns the Sound Currency Committee of the Reform Club is that its mission is clearly not yet ended. The contest thickens around it; and to all well-wishers for Sound Currency there is no duty more obvious than that they should extend to your work all sympathy and aid.

**END OF
TITLE**